

Why GAO Did This Study

In March 2010, the Patient Protection and Affordable Care Act (PPACA) appropriated \$5 billion each to establish and carry out two temporary programs—ERRP and PCIP. ERRP reimburses sponsors of employment-based health plans to help cover the cost of providing health benefits to early retirees—individuals age 55 and older not eligible for Medicare. The PCIP program is a high-risk pool that provides access to health insurance for individuals unable to acquire affordable coverage due to a preexisting condition. Both programs are operated by CCIO within CMS (an agency within the Department of Health and Human Services) and are intended to operate through 2013, after which PPACA will provide new insurance coverage options.

GAO was asked to provide updated information on ERRP and PCIP spending. This report describes the current status of ERRP and PCIP enrollment and spending as well as projected PCIP spending and how CCIO is ensuring that program funding is sufficient through 2013. GAO obtained the most recent data available on ERRP and PCIP enrollment and spending and on overpayments recovered from ERRP plan sponsors during the claims adjudication process. GAO also obtained other supporting documentation where available. GAO interviewed CMS officials about ERRP and PCIP enrollment and spending as well as their predictions of future PCIP spending and steps they are taking to ensure the sufficiency of PCIP funding.

The Department of Health and Human Services provided technical comments on a draft of this report, which GAO incorporated as appropriate.

PATIENT PROTECTION AND AFFORDABLE CARE ACT

Enrollment and Spending in the Early Retiree Reinsurance and Pre-existing Condition Insurance Plan Programs

What GAO Found

The Center for Consumer Information and Insurance Oversight (CCIO) discontinued enrollment in the Early Retiree Reinsurance Program (ERRP) in early 2011 and stopped most program reimbursements the following year to keep spending within the \$5 billion ERRP appropriation. Specifically, anticipating exhaustion of funds, CCIO stopped ERRP enrollment in May 2011. According to CCIO officials, CCIO suspended making reimbursements to plan sponsors in September 2012, as reimbursements had reached the \$4.7 billion cap established for paying claims under the original appropriation, and the remainder was reserved for administrative expenses. When the cap was reached, significant demand for the program remained with 5,699 ERRP reimbursement requests left outstanding that accounted for about \$2.5 billion in unpaid claims. CCIO officials told GAO that they planned to pay some of the outstanding reimbursement requests by redistributing any overpayments recovered from plan sponsors—when, for example a plan receives a rebate that lowers the total cost of a prior claim—as well as money recovered from program audits. As of January 2013, officials told GAO that CCIO had recovered a total of \$54 million and redistributed \$20.7 million of this amount.

Enrollment and spending for the Pre-existing Condition Insurance Plan (PCIP) program have grown substantially. Cumulative PCIP enrollment had reached 103,160 by the end of December 2012, more than doubling from a year earlier. By the end of January 2013, total PCIP spending reached about \$2.6 billion, representing over half of the \$5 billion PCIP appropriation compared to a year earlier when only about 16 percent of the total appropriation had been spent. PCIP spending has varied on a monthly basis, but overall, monthly spending also has increased over the life of the program. Most recently, monthly spending reached its highest point since the program's inception, increasing about 35 percent from December 2012 to January 2013.

According to CMS, PCIP spending is likely to approach the \$5 billion appropriation by the end of 2013, and CCIO is taking steps intended to ensure it does not exceed this amount. In June 2012, Office of the Actuary (OACT) within the Centers for Medicare & Medicaid Services (CMS) released a projection that the entire \$5 billion in PCIP funding would be used “through 2013.” Similarly, CCIO officials told GAO they anticipate total PCIP spending to closely approach \$5 billion, and that they are taking program management steps—many of which are not yet reflected in spending data—to ensure appropriated funding lasts through 2013. For example, in the second half of 2012, CCIO was able to obtain lower provider reimbursement rates for the PCIP program. Also, in January 2013, CCIO instituted benefit changes that shifted more costs onto PCIP enrollees, including by increasing enrollee coinsurance from 20 percent to 30 percent in many states. Due to growing concerns about the rate of PCIP spending, in February 2013, CCIO suspended PCIP enrollment to ensure the appropriated funding would be sufficient to cover claims for current enrollees through the end of the program. Officials told GAO that if spending trends begin to indicate that funding will not be used as quickly as they are projecting, they could reinstate PCIP enrollment to use remaining funds.